

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:227
ANSWERED ON:01.03.2002
HEADING TARAPORE COMMITTEE ON UTI
SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of FINANCE be pleased to state:

- (a) whether the S.s. Tarapore Committee constituted to go into the affairs of the Unit Trust of India has submitted its report;
- (b) if so, the main findings and the recommendations of the committee; and
- (c) the action taken by the Government thereon, especially the steps taken to safeguard the interests of the common investors of US-64?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): Yes, Sir.

(b): The Committee observed, inter alia, that by and large the Unit Trust of India (UTI) has functioned well and its deficiencies must be viewed constructively with a view to improving its working. The Committee found that UTI has not documented a comprehensive investment policy; financial powers are vested with a single individual; UTI's investment/disinvestment decisions are not subject to any audit, Asset Management Committees play no role in the investment process; pricing mechanism was faulty; rise in the equity portfolio contributed to the instability of US-64 etc. The Committee recommended, inter alia, detailed audit of the select list of investments identified by it; formulation of a comprehensive and transparent investment policy; a Committee approach for all types of investments beyond certain limits; audit of investment/disinvestment decisions; empowerment of AMC to take investment decisions; clear guidelines for inter-scheme transfers which should be SEBI compliant; US-64 to be made NAV based; reduction in the schemes equity portfolio and structural reforms in UTI.

(c): The US-64 scheme has been re-opened for fresh sale and repurchase at NAV-based prices with effect from 1st January, 2002. Government announced a financial package for the scheme on 28.12.2001, under which UTI will be compensated by the Government for the deficit, if any, between the NAV and applicable repurchase prices, in respect of

(i) the limited repurchase facility, announced on July 15, 2001 upto 3000 units which has been raised to 5,000 units per unit holders, and (ii) for remaining holdings in US-64, if any, UTI has assured a repurchase price of Rs. 10 per unit, or Net Asset Value (NAV) whichever is higher on May 31, 2003. In the intervening period from January 01, 2002 to May 30, 2003, redemption beyond 5000 units per existing investor as on June 30, 2001 will be at NAV. As a part of the financial package, UTI has been asked to implement time bound reforms based on the recommendations of the expert committees.